

Message Text

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PAGE 01 SAN SA 01014 162322 Z

72

ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 L-03 INRE-00 AGR-20 CIAE-00

COME-00 INR-09 LAB-06 NSAE-00 RSC-01 STR-08 TRSE-00

CIEP-02 SAL-01 OMB-01 EUR-25 PA-03 PRS-01 USIA-12

RSR-01 /116 W

----- 077542

P 162245 Z MAR 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORITY 2378

LIMITED OFFICIAL USE SAN SALVADOR 1014

E. O. 11652 - N/A

TAGS: EIND, ES

SUBJECT: COTTON TEXTILES - EL SALVADOR REQUESTS CONSULTATION

1. FONMIN NOTE NO 4650 DATED MARCH 12 TRANSMITS ECONMIN
NOTE WHICH REQUESTS THROUGH CONSULTATIONS AN INCREASE
TO 7.3 MILLION SQUARE YARDS IN THE COTTON TEXTILE QUOTA FOR
THE BI- LATERAL AGREEMENT YEAR BEGINNING APRIL 1, 1973
AS FOLLOWS:

CATEGORY; QUANTITY; SQUARE YARDS

1-4; 375,000 LBS; 1,725,000;

9; ---; 1,500,000

15; --; 1,500,000;

18; --; 625,000;

19; --; 625,000;

26; --; 625,000;

31; 1,436,781 UNITS; 500,000;

61; 42,105 DOZENS; 200,000;

TOTAL 7,300,000 SQUARE YARDS

2. THE NOTE AND ATTACHMENTS HAVE BEEN TRANSMITTED BY POUCH
TO ARA/ CEN/ ES. THE FONMIN' S NOTE ALSO INFORMED US THAT
THE SALVADORAN EMBASSY IN WASHINGTON HAS BEEN INSTRUCTED
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PAGE 02 SAN SA 01014 162322 Z

TO MAKE THE SAME REQUEST OF THE DEPARTMENT.

3. THE GOES REQUEST LISTS SIX CONSIDERATIONS WHICH IT DESCRIBES AS JUSTIFYING THE REQUESTED INCREASE: A) EL SALVADOR'S CONSECUTIVE ANNUAL TRADE DEFICIT WITH THE US SINCE 1963, WHICH IN 1972 REACHED \$25 MILLION; B) EL SALVADOR'S BEING THE ONLY CENTRAL AMERICAN COUNTRY WITH A REPETITELY UNFAVORABLE TRADE BALANCE WITH THE US; C) THE RELATIVE INSIGNIFICANCE TO THE US BUT IMPORTANCE TO EL SALVADOR OF THE REQUESTED INCREASE; D) THE GREAT IMPORTANCE OF THE TEXTILE INDUSTRY IN EL SALVADOR'S ECONOMY WITH ITS EMPLOYMENT/ SOCIAL IMPLICATIONS; E) THE ASSURED DEMAND IN THE US FOR THE BETTER QUALITY SALVADORAN TEXTILES WHICH EXCEEDS THE QUOTA; AND F) EL SALVADOR'S TRADITIONAL GOOD COMMERCIAL AND FRIENDLY TIES WITH THE US.

4. WE HAVE DETERMINED THAT THE ECONOMIC MINISTRY IS UNCERTAIN CONCERNING THE REQUIREMENTS FOR CONSULTATION, I. E., WHETHER IT CAN BE ACCOMPLISHED BY WRITTEN EXCHANGES OR IF PERSONAL CONSULTATION BY TWO PARTIES IS NECESSARY. DUE TO THE TIME FACTOR, IT OBVIOUSLY WOULD PREFER A FAVORABLE WRITTEN RESPONSE.

5. THE NOTE MAKES NO MENTION OF THE CONSULTATION LEVELS FOR NONE- SPECIFIED CATEGORIES. ON THIS POINT, MINECON'S DR. ALAS SAID THIS IS NOT A PRESSING ISSUE BUT A MODEST OR PROPORTIONATE INCREASE OF THESE LEVELS IS DESIRED.

6. COMMENT: (A) THE PRESS RECENTLY FOCUSED ITS ATTENTION ON THE CONTINUING UNFAVORABLE TRADE BALANCE WITH THE US AND INSISTED THAT THE GOES TAKE STEPS TO CORRECT THIS. WE HAVE TOLD THE MINISTRY THAT SHIFTS IN COFFEE EXPORTS IN 1972, AS IN ANY YEAR, SWAMP EXPORT MOVEMENTS IN OTHER PRODUCTS TO THE US. IN THE FIRST NINE MONTHS OF 1972 ONLY 20 PERCENT OF THE VALUE OF COFFEE EXPORTS WERE EXPORTED TO THE US WHICH COMPARES WITH AN AVERAGE OF 34 PERCENT FOR THE THREE YEARS 1969-71. DATA OF EXPORTS TO GERMANY FOR THE SAME PERIODS ARE 49.6 PERCENT AND 59.3 PERCENT. B) THE TEXTILE INDUSTRY IS THE LEADING INDUSTRIAL EMPLOYER AND DOES AFFECT ECONOMIC HEALTH SIGNIFICANTLY. DUE ESPECIALLY TO QUOTA RESTRICTIONS PLACED ON EL SALVADOR BY COSTA RICA AND NICARAGUA THE INDUSTRY FACED IN 1971 AND 1972 PROBLEMS OF INVENTORY BUILD- UP AND LIMITED OFFICIAL USE

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PAGE 03 SAN SA 01014 162322 Z

UNUSED CAPACITY. C) THE NOTABLE EXCEPTION TO THE ABOVE WAS

THE FIRM HILASAL, THE ONLY PRODUCER OF CATEGORY 31. IT JUST ADDED 17 LOOMS AND EXHAUSTED ITS PHYSICAL CAPACITY FOR FURTHER ADDITIONS. IT OPERATES THREE SHIFTS EVERY DAY, ALL ON TOWELS. THE REASON THE CATEGORY 31 QUOTA HAS NOT BEEN UTILIZED FULLY (176,740 UNITS AUTHORIZED AS OF MARCH 15) IS THAT HILASAL HAD CONTRACTED ITS PRODUCTION TO GERMANY BEFORE THE BI-LATERAL WAS NEGOTIATED. IT INTENDS TO EXPORT TO THE US IN 1973/74. D) THE GOES AND PRESS HAVE COMMENTED WITH APPROVAL IN THE CONSISTENTLY FAVORABLE WEST GERMAN RESPONSE TO REQUESTS FOR ADDITIONAL QUOTAS FOR THESE TOWELS. IN 1972 THE QUOTA WAS INCREASED BY ANOTHER MILLION MARKS TO FOUR MILLION MARKS. MINISTRY OFFICIALS HAVE REFERRED OFTEN TO THE EXTREMELY FAVORABLE TRADE BALANCE WITH THE FRG AND YET "LIBERAL" TEXTILE TREATMENT WHICH CONTRASTS WITH THE US SITUATION. E) ECONOMIC MINISTER SANCHEZ AGUILLON PUBLICIZED THIS REQUEST AND THE ARGUMENTS JUSTIFYING IT AND SALVADOR'S LEADING NEWSPAPER, "LA PRENSA GRAFICA," FEATURED THE STORY IN ITS HEADLINES MARCH 11. CATTO

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